

STATE OF ARIZONA

Janet Napolitano, Governor

Budget Briefing Materials Fiscal Year 2006

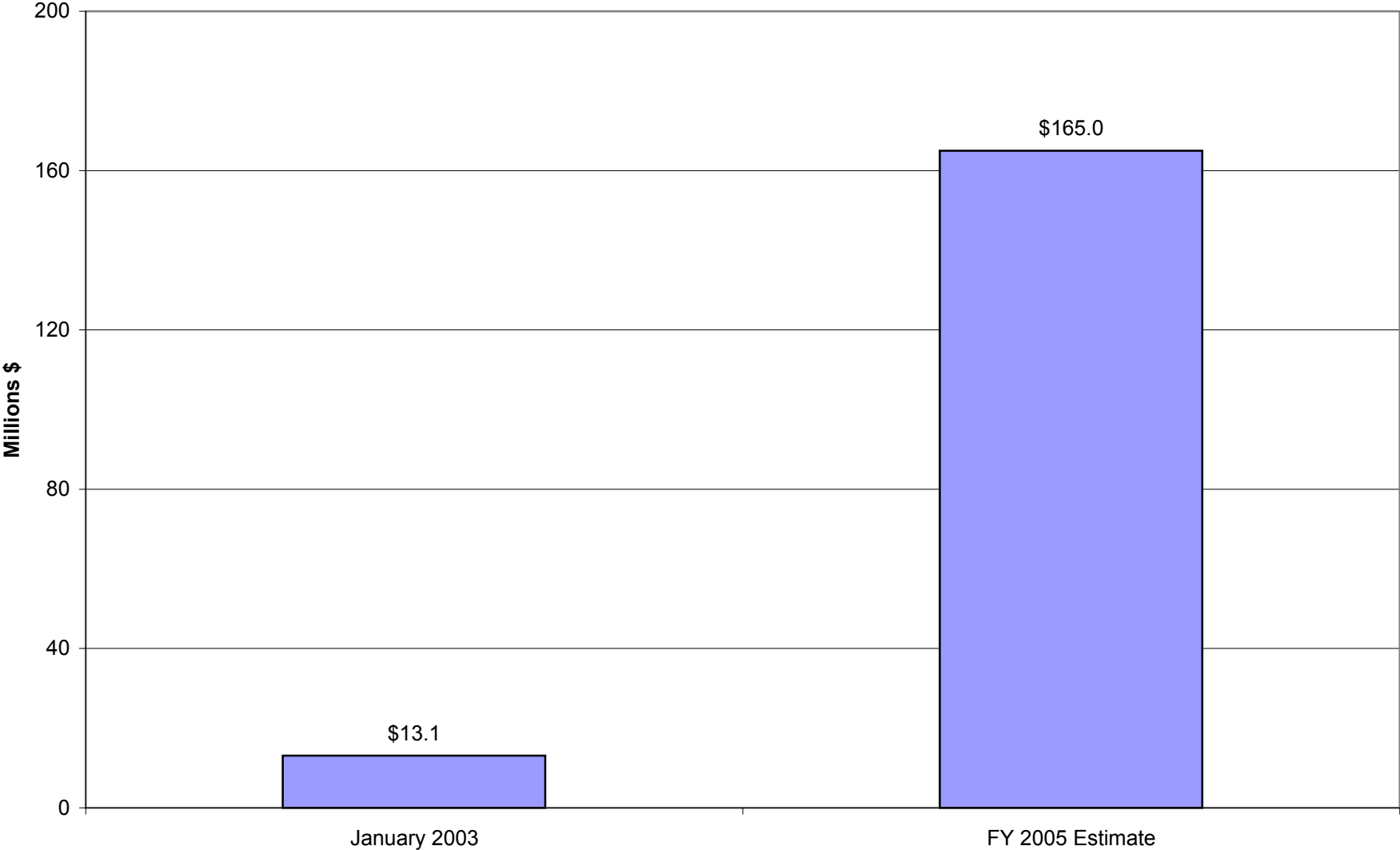
January 2005

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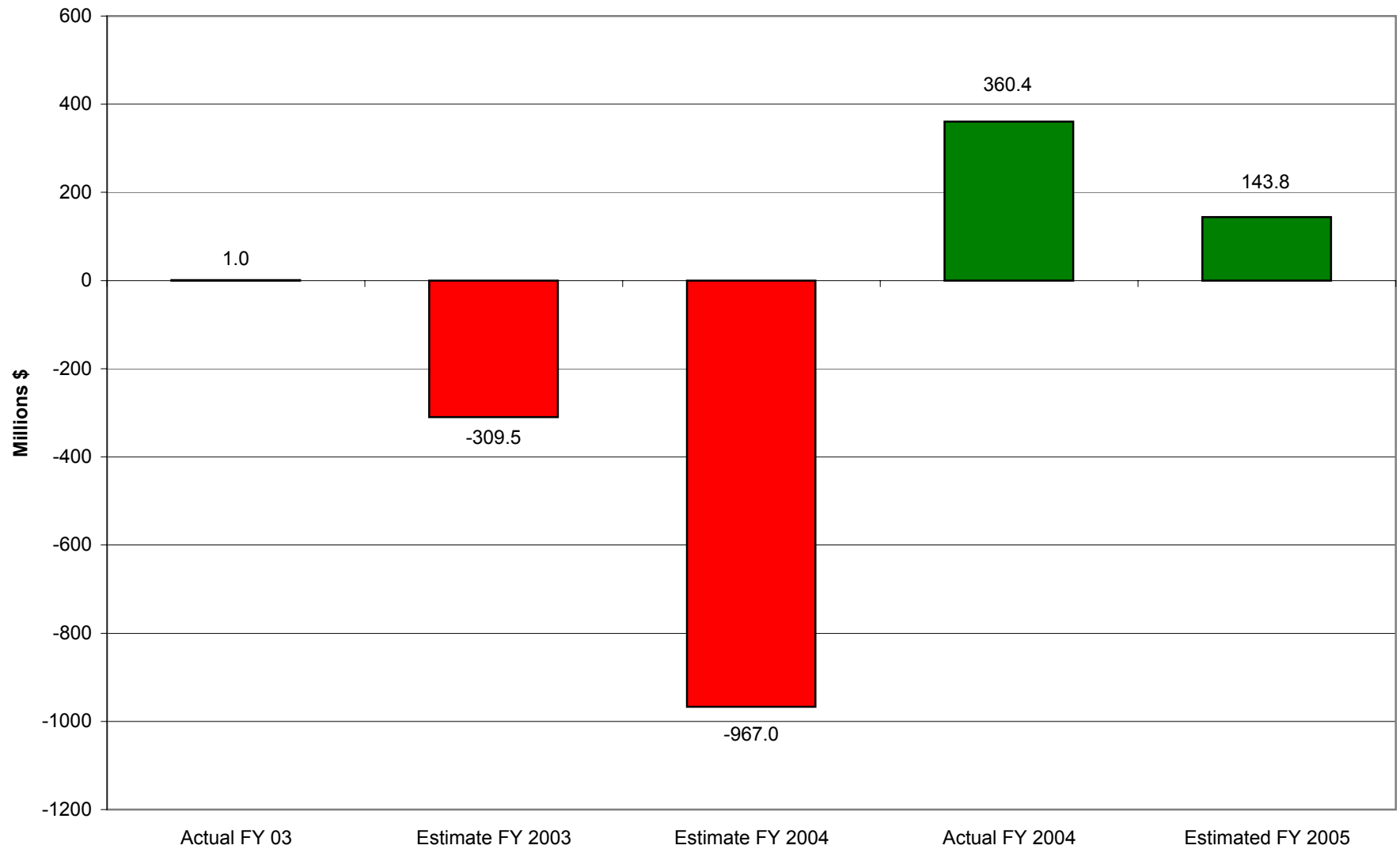
Section 1

Historical Perspective – Governor Napolitano's Fiscal Management

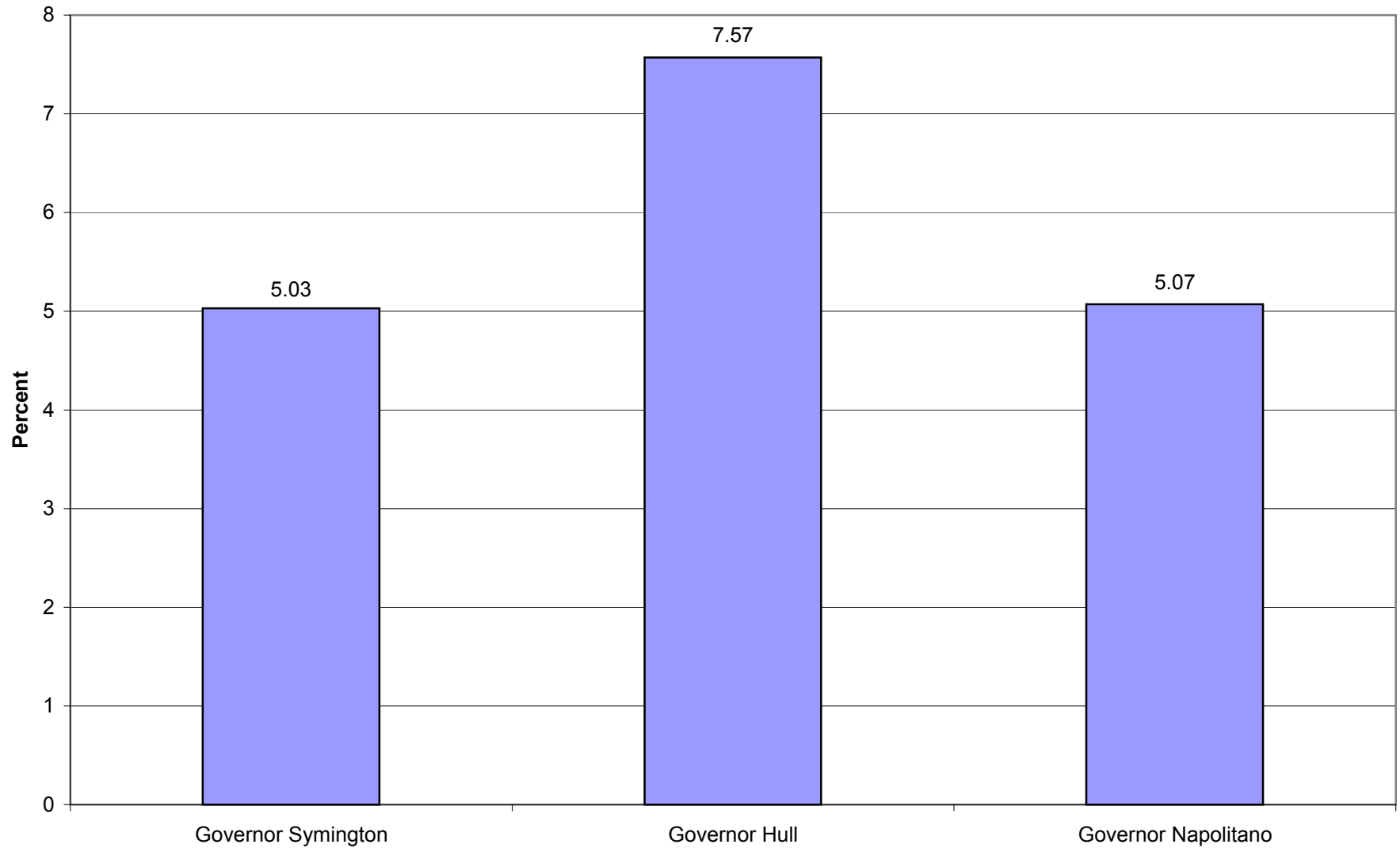
Budget Stabilization Fund Balance



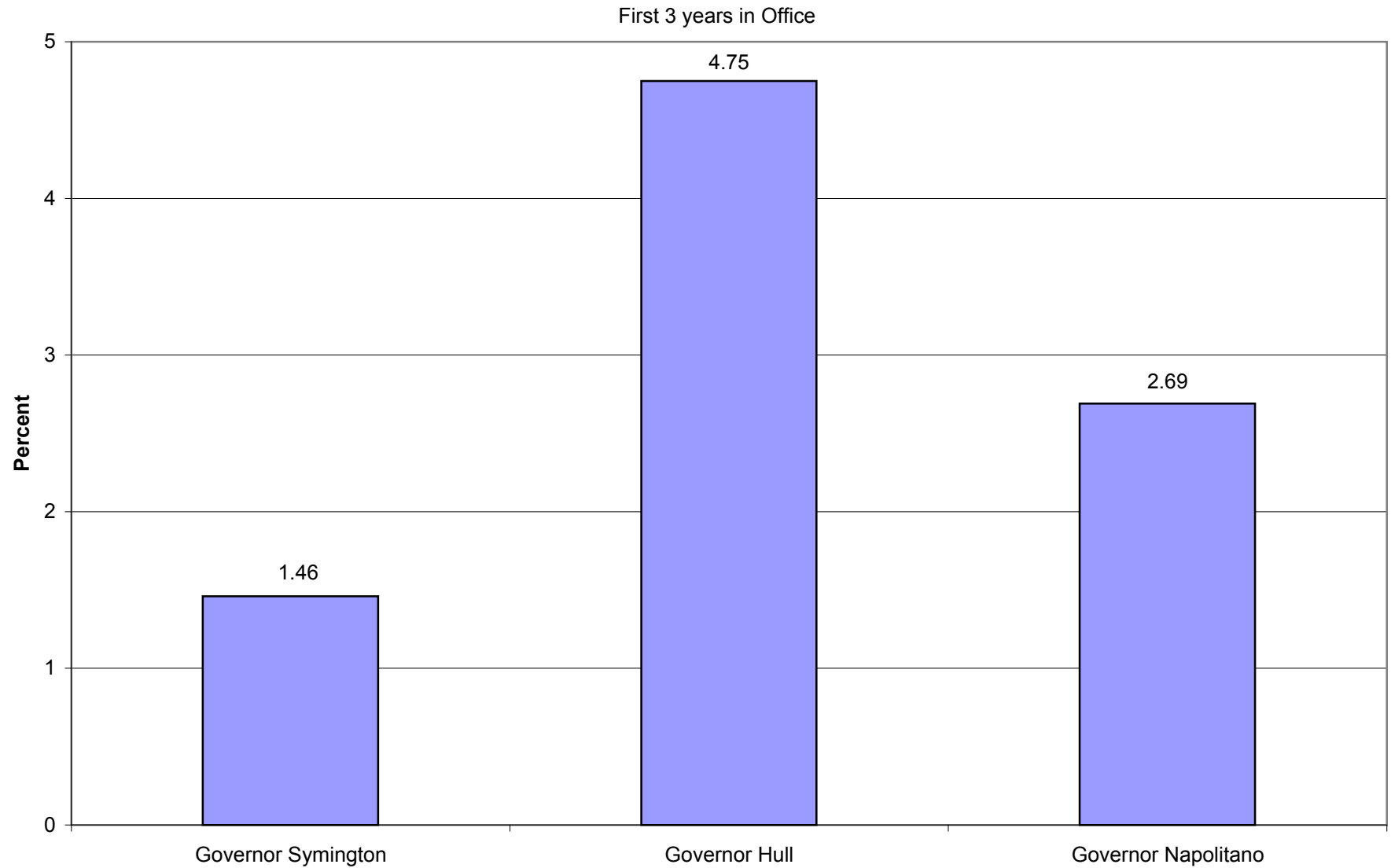
General Fund Balance



Compound Annual Percent Change of GF Operating Appropriations in the First Three Years

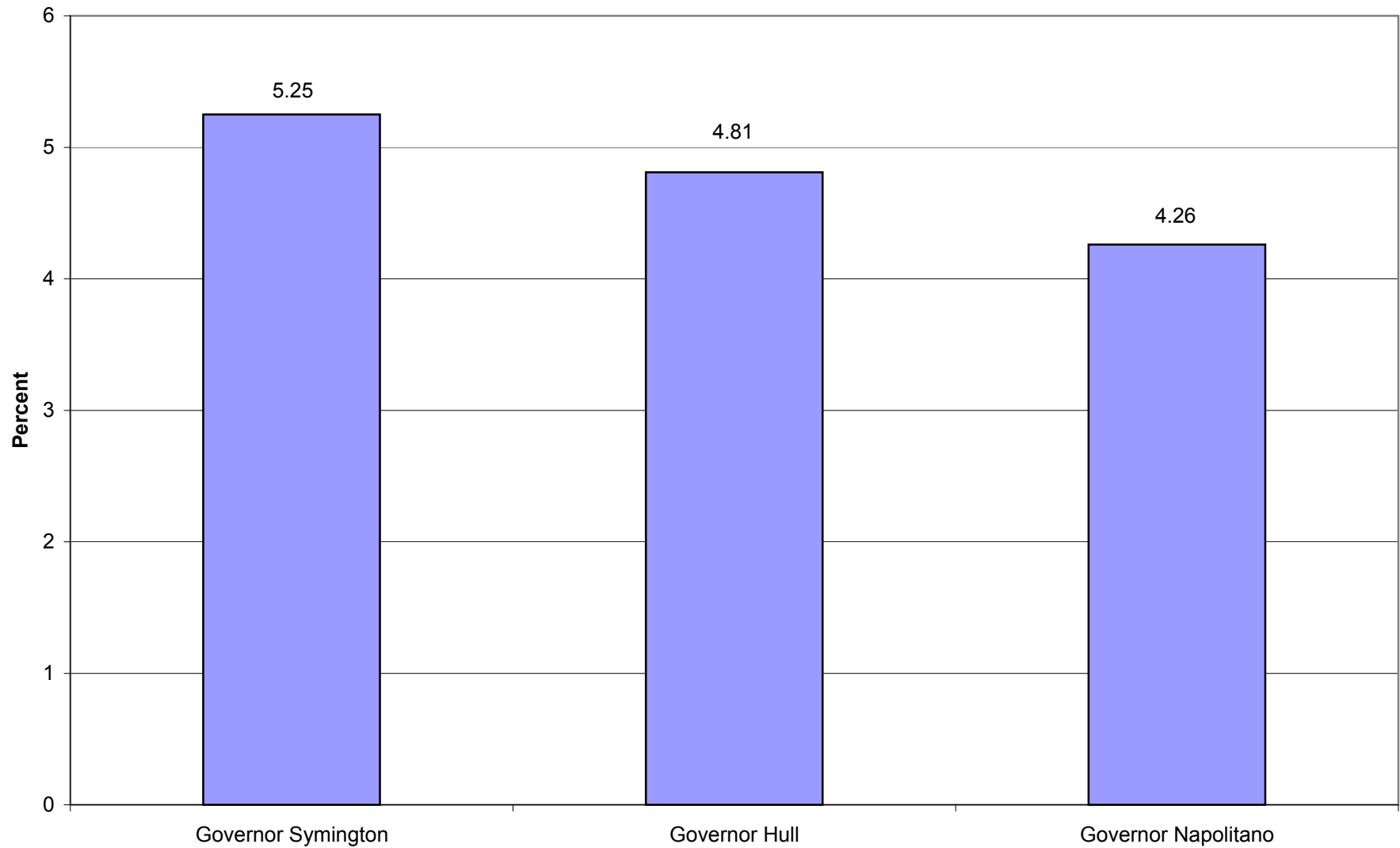


Compound Average Percentage Per Capita Growth in General Fund Operating Appropriations



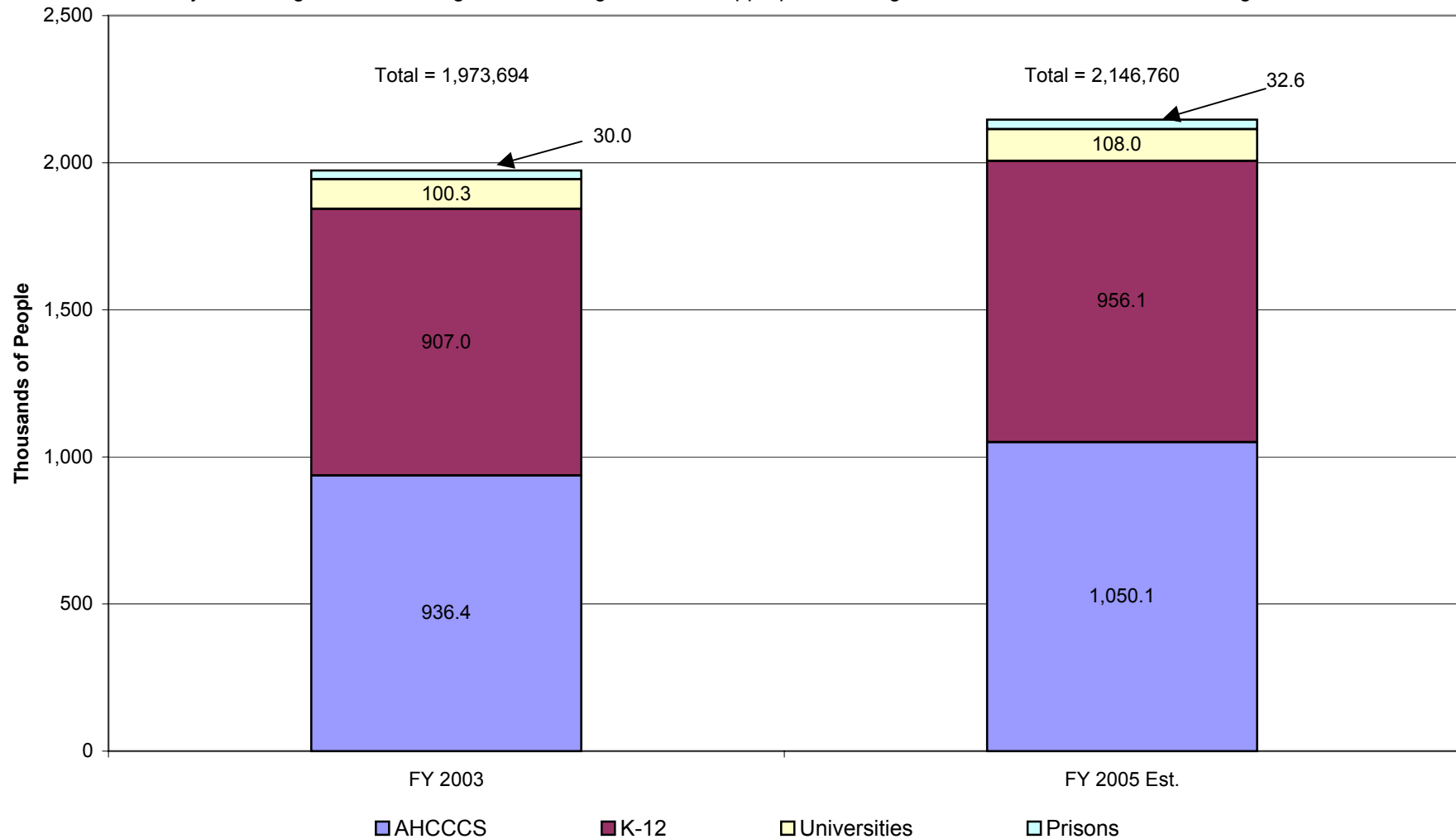
**General Fund Operating Appropriations as a Percent of Total Arizona Personal Income - 3
Year Average**

First 3 years in Office



Populations Served by Government Services

To put this in perspective, the original FY 2003 GF operating budget was \$7.04 billion. The FY 2005 GF operating appropriation is \$7.38 billion. This is only 4.92% higher than the original FY 2003 general fund appropriated budget. Let's look at some indicators of government services.



Net Increase in Caseload and Enrollment Populations

FY 2005	2,146,760
FY 2003	<u>1,973,694</u>
	173,066

An increase of 8.77%

Conclusion:

The General Fund budget is estimated to only increase by 4.92% above the original FY 2003 budget; but the populations served have outpaced the growth of the budget.

Arizona Compares favorably to other states in its level of State debt.

Moody's April 2004 publication ranked Arizona:

- 30th in the nation in net tax-supported debt per capita
- The mean per capita debt of the 50 states was \$944 compared to Arizona's \$591
- 27th in the nation in debt as a % of personal income
- The mean percent of personal income of the 50 states was 3.1% compared to Arizona's 2.3% of personal income

Net Tax-Supported Debt Per Capita

			Rating
1	Connecticut	\$3,558	Aa3
2	Massachusetts	\$3,333	Aa2
3	Hawaii	\$3,101	Aa3
4	New York	\$2,420	A2
5	New Jersey	\$2,332	Aa2
6	Illinois	\$1,943	Aa3
7	Delaware	\$1,800	Aaa
8	Washington	\$1,580	Aa1
9	Rhode Island	\$1,385	Aa3
10	Wisconsin	\$1,325	Aa3
11	Oregon	\$1,281	Aa3
12	Mississippi	\$1,169	Aa3
13	Kentucky	\$1,119	Aa2 *
14	Maryland	\$1,077	Aaa
15	California	\$1,060	Baa1
16	Florida	\$1,023	Aa2
17	Kansas	\$963	Aa1 *
18	New Mexico	\$962	Aa1
19	Alaska	\$962	Aa2
20	West Virginia	\$859	Aa3
21	Utah	\$846	Aaa
22	Georgia	\$827	Aaa
23	Ohio	\$806	Aa1
24	Vermont	\$724	Aa1
25	Pennsylvania	\$711	Aa2
26	Minnesota	\$691	Aa1
27	Michigan	\$670	Aa1
28	Louisiana	\$661	A1
29	South Carolina	\$599	Aaa
→ 30	Arizona	\$591	NGO ** ←
31	Nevada	\$590	Aa2
32	North Carolina	\$556	Aa1
33	Virginia	\$546	Aaa
34	Alabama	\$505	Aa3
35	New Hampshire	\$496	Aa2
36	Maine	\$492	Aa2
37	Missouri	\$461	Aaa
38	Arkansas	\$420	Aa2
39	Indiana	\$361	Aa1 *
40	Oklahoma	\$315	Aa3
41	Montana	\$311	Aa3
42	Colorado	\$307	NGO **
43	South Dakota	\$254	NGO **
44	Wyoming	\$250	NGO **
45	North Dakota	\$235	Aa3 *
46	Texas	\$220	Aa1
47	Tennessee	\$220	Aa2
48	Iowa	\$139	Aa1 *
49	Idaho	\$115	Aa3
50	Nebraska	\$43	NGO **
MEAN:		\$944	
MEDIAN:		\$701	
Puerto Rico		\$5,558	Baa1

* Issuer Rating (No G.O. Debt)
 ** No general Obligation Debt
 *** This figure is not included in any total, average, or median calculations but is provided for comparison purposes only. Puerto Rico population is 2003 estimate.

944.28

Net Tax-Supported Debt as a % of 2002 Personal Income

1	Hawaii	10.4%
2	Massachusetts	8.5%
3	Connecticut	8.4%
4	New York	6.7%
5	New Jersey	5.9%
6	Illinois	5.8%
7	Delaware	5.6%
8	Mississippi	5.2%
9	Washington	4.9%
10	Oregon	4.5%
11	Wisconsin	4.5%
12	Rhode Island	4.4%
13	Kentucky	4.4%
14	New Mexico	4.1%
15	West Virginia	3.6%
16	Utah	3.5%
17	Florida	3.5%
18	Kansas	3.3%
19	California	3.2%
20	Alaska	3.0%
21	Maryland	3.0%
22	Georgia	2.9%
23	Ohio	2.7%
24	Louisiana	2.6%
25	Vermont	2.5%
26	South Carolina	2.4%
→ 27	Arizona	2.3%
28	Pennsylvania	2.2%
29	Michigan	2.2%
30	Minnesota	2.0%
31	North Carolina	2.0%
32	Nevada	2.0%
33	Alabama	2.0%
34	Arkansas	1.8%
35	Maine	1.8%
36	Virginia	1.7%
37	Missouri	1.6%
38	New Hampshire	1.5%
39	Indiana	1.3%
40	Montana	1.3%
41	Oklahoma	1.2%
42	South Dakota	0.9%
43	Colorado	0.9%
44	North Dakota	0.9%
45	Wyoming	0.8%
46	Tennessee	0.8%
47	Texas	0.8%
48	Iowa	0.5%
49	Idaho	0.5%
50	Nebraska	0.1%
MEAN:		3.1%
MEDIAN:		2.4%
Puerto Rico		51.2% ***

*** This figure is not included in any total, average, or median calculations but is provided for comparison purposes only. Puerto Rico population is 2003 estimate.

0.03052

After Governor Napolitano's fiscal team met with both major credit rating agencies in January 2004, they improved Arizona's ratings as follows:

Debt Ratings

<u>Rating Service/ Debt Type</u>	<u>Prior to Meetings 2003</u>	<u>After Meetings 2004</u>
<u>Moody's</u>		
Certificates of Participation	A1 Negative Outlook	A1 Stable Outlook
State Issuer Credit	No Rating	Aa3 Stable Outlook
<u>S & P</u>		
Certificates of Participation	AA Negative Outlook	AA Stable Outlook
State Issuer Credit	No Rating	AA Stable Outlook

Section 2

Guiding Principles

GUIDING PRINCIPLES FOR THE FY 2006 BUDGET

1. Construct a fiscally responsible balanced budget that does not raise taxes.
2. Develop a budget that reflects a commitment to education, strengthening families, economic development, and natural resources.
3. With few exceptions, limit operating budgets to enrollment and caseload growth.
4. With the recovering economy, recognize that investments in human capital are necessary to equip our children to compete in their chosen occupation in the twenty-first century knowledge-based economy.
5. Develop a budget that reflects the enhanced performance and efficiency of State agencies, and that encourages agencies to reduce costs while maintaining or enhancing services

Section 3

Sources and Uses of Funds

STATE OF ARIZONA
SOURCES AND USES OF FUNDS
GENERAL FUND
(In Thousands)

	FY2004 Actuals	FY2005 Executive Recommendation	FY2006 Executive Recommendation
SOURCES OF FUNDS			
Balance Forward	192,185.0	360,388.9	143,819.4
Base Revenues	6,827,599.8	7,698,019.4	8,078,740.0
<i>Urban Revenue Sharing</i>	(365,065.0)	(373,074.2)	(417,315.3)
Adjusted Revenues	6,462,534.8	7,324,945.2	7,661,424.7
Enacted Fund Transfers	54,500.0	35,234.5	0.0
Qwest Settlement	9,047.0	0.0	0.0
Tax Amnesty Revenues	65,253.1	0.0	0.0
Federal Cash Assistance	87,265.9	0.0	0.0
Judicial Collections	5,389.3	2,106.7	0.0
VLT Transfer		118,000.0	0.0
Proposed Fund Transfers			25,000.0
DOR Revenue Generating Program			11,398.3
Lottery Revenues Distribution Change			3,000.0
TOTAL SOURCES OF FUNDS	6,876,175.1	7,840,675.3	7,844,642.4
USES OF FUNDS			
Operating Budgets	6,537,900.9	7,208,016.8	7,795,559.3
Operating Budget Supplementals		91,728.0	0.0
Voluntary Full Day Kindergarten		0.0	16,900.0
Ladewig Settlement /1		134,280.4	0.0
Deficiency Corrections		100,000.0	0.0
School Building Maintenance & Renovation /2		70,000.0	0.0
Military Base Preservation		5,000.0	5,000.0
Employer Related Expense Increases		0.0	30,758.5
Employee Health Insurance		0.0	18,045.6
Transfer to Budget Stabilization Fund		165,000.0	0.0
Employee Retirement Adjustment		0.0	24,155.9
Federal Revenue Maximization	0.0	(16,100.0)	(25,000.0)
Total Operating Budgets	6,537,900.9	7,757,925.2	7,865,419.3
Capital Outlay Appropriations	0.0	0.0	0.0
Administrative Adjustments	38,692.7	23,000.0	23,000.0
Revertments	(60,807.4)	(84,069.3)	(51,169.3)
USES OF FUNDS	6,515,786.2	7,696,855.9	7,837,250.0
ENDING BALANCE	360,388.9	143,819.4	7,392.4
TOTAL USES OF FUNDS	6,876,175.1	7,840,675.3	7,844,642.4

/1 The FY2006 Executive Recommendation presumes the financing of the FY2006 Ladewig payment.

/2 The FY2006 Executive proposes establishing conditional appropriations of \$70.7million for School Building Maintenance & Renovation, and \$22.0 million for funding provided by Maricopa County for adult probation.

Section 4

The Economy and Revenue Estimates

Economic Indicators – Calendar Years 2004 and 2005

I. National – Positive

- Current year (2004) real GDP growth exceeds 4%; slowing to still-respectable 3.5% GDP growth for 2005
- Productivity growth has been strong-US firms competitive and ready to hire
- On top of 2.2 million new jobs in 2004, employment should grow by 1.7% in 2005
- Inflation should stay under control-firms are confident the Federal Reserve's determination to control inflation
- Interest rates, though rising slightly, stay relatively low-benefits home buyers; commercial properties
- Business spending rises driven by need to replace Y2K computer equipment
- Consumer spending will grow modestly in 2005
- Falling dollar increases foreign tourism to US
- Possibility that exports will gain on imports – lower trade deficit

II National – Risks

- Uncertainty about terrorism – business investment could drop after another large-scale incident
- Weak economies of trading partners; imports of US goods may not increase as expected despite boost from weaker dollar
- Weak dollar could trigger pullout of foreign money from US investments-leads to rapid interest rate growth-weakens US economy

III Arizona – Positive

- Population growth of 2.8% in 2004 will be sustained in 2005; immigration/inflows still strong
- Employment growth of 2.6% in 2004 will continue to accelerate to about 3.4% in 2005; does well in comparison to rest of nation
- Personal income growth of 6.9% in 2004 will benefit from improving employment picture and will grow to 7.4% in 2005
- Tourism benefits from increased business spending and weak dollar
- Arizona exports its goods and services mostly to Asia, which is performing better than Europe
- Commercial real estate ready to take off after weakness due to recession and weak recovery

IV Arizona - Risks

- U.S. economy will underperform vs. expectations
- Falling home affordability and interest rate increases could lead to dropoff in residential home demand-hurts construction sector
- Weaknesses of trading partners – reduce imports especially computers and software where Arizona is weighted

Executive Branch Revenue Estimating Process

Active Participants

- ASU College of Business
- Department of Economic Security
- Department of Revenue
- OSPB

General Parameters/Process

- Agree on a set of economic inputs (e.g., GDP, Personal Income, Employment)
- Each participant runs inputs through their own models
- Different models give different results
- Round table discussion
 - National Economy
 - Arizona Economy
 - Sales (Transaction Privilege) Tax
 - Individual Income Tax
 - Corporate Income Tax
- No directed ranges or parameters
- Total independence in forecasting

Blending of the Forecasts

- OSPB Staff blends forecasts and derives recommended position
- Ultimate forecast may not represent any one participant's position

Other Revenue Categories

- Dependent upon discussions with the analysts inside administering agencies
- Example: Department of Insurance projections for Insurance Premium Tax

FY2005 and FY 2006 Revenue Forecasts

General Fund

(Dollars in Millions)

	(1) Prelim Actuals FY04	(2) FY04 Actual % Change from FY03 Act.	(3) Budget Basis FY 2005	(4) Current (Dec-04) Est. FY 2005	(5) Current Est. FY05 % Change from FY04	(6) Current Est. FY 2006	(7) Current Est. FY06 % Change from Current FY 05
Individual Income	\$2,306.1	9.8%	\$2,455.8	\$2,656.0	15.2% *	\$2,834.0	6.7% *
Corporate Income	476.0	22.2%	525.0	670.0 **	40.8%	630.0	-6.0%
General Property	40.9		21.6	28.1		27.7	
Sales (TPT)	3,294.8	8.6%	3,501.4	3,589.0	8.9%	3,865.0	7.7%
Luxury	61.1		65.0	65.0		60.0	
Insurance Premium	307.2		354.5	347.0		362.6	
Estate	38.8		20.1	40.0		0.0	
Other	1.4		10.4	1.4		0.6	
TOTAL TAXES	\$6,526.4	9.8%	\$6,953.7	\$7,396.5	13.3%	\$7,779.9	5.2%
NON-TAX REVENUES							
LF & P, SS, Misc and Alt Fuels	\$113.2		\$111.9	\$111.9		\$126.0	
Interest	12.2		13.2	22.2		25.0	
Lottery	31.7		31.0	31.0		31.0	
Transfers & Reimbursements	10.9		24.9	24.9		25.0	
TOTAL NON-TAX REVENUES	\$168.0		\$181.0	\$190.0		\$207.0	
TAX AND NON-TAX REVENUES	\$6,694.4	9.6%	\$7,134.8	\$7,586.6	13.3%	\$7,986.9	5.3%
Disproportionate Share	\$133.2		\$111.4	\$111.4		\$91.8	
BASE REVENUES	\$6,827.6	9.6%	\$7,246.2	\$7,698.0	12.7%	\$8,078.7	4.9%
URS	(\$365.1)		(\$373.1)	(\$373.1)		(\$417.3)	
NET BASE REVENUES	6,462.5	11.4%	6,873.1	7,324.9	13.3%	7,661.4	4.6%
FY04 Amnesty-Ongoing			4.0				
TOTAL ONGOING REVENUES	6,462.5	11.4%	6,877.1	7,324.9	13.3%	7,661.4	4.6%
FY05 Legislated Changes-One-time+	221.5		238.1	155.3		0.0	
TOTAL ALL REVENUES	6,684.0	7.2%	7,115.2	7,480.3	11.9%	7,661.4	2.4%
Column Calculation:		(1)/FY03 Actual			(4)/(1)		(6)/(4)

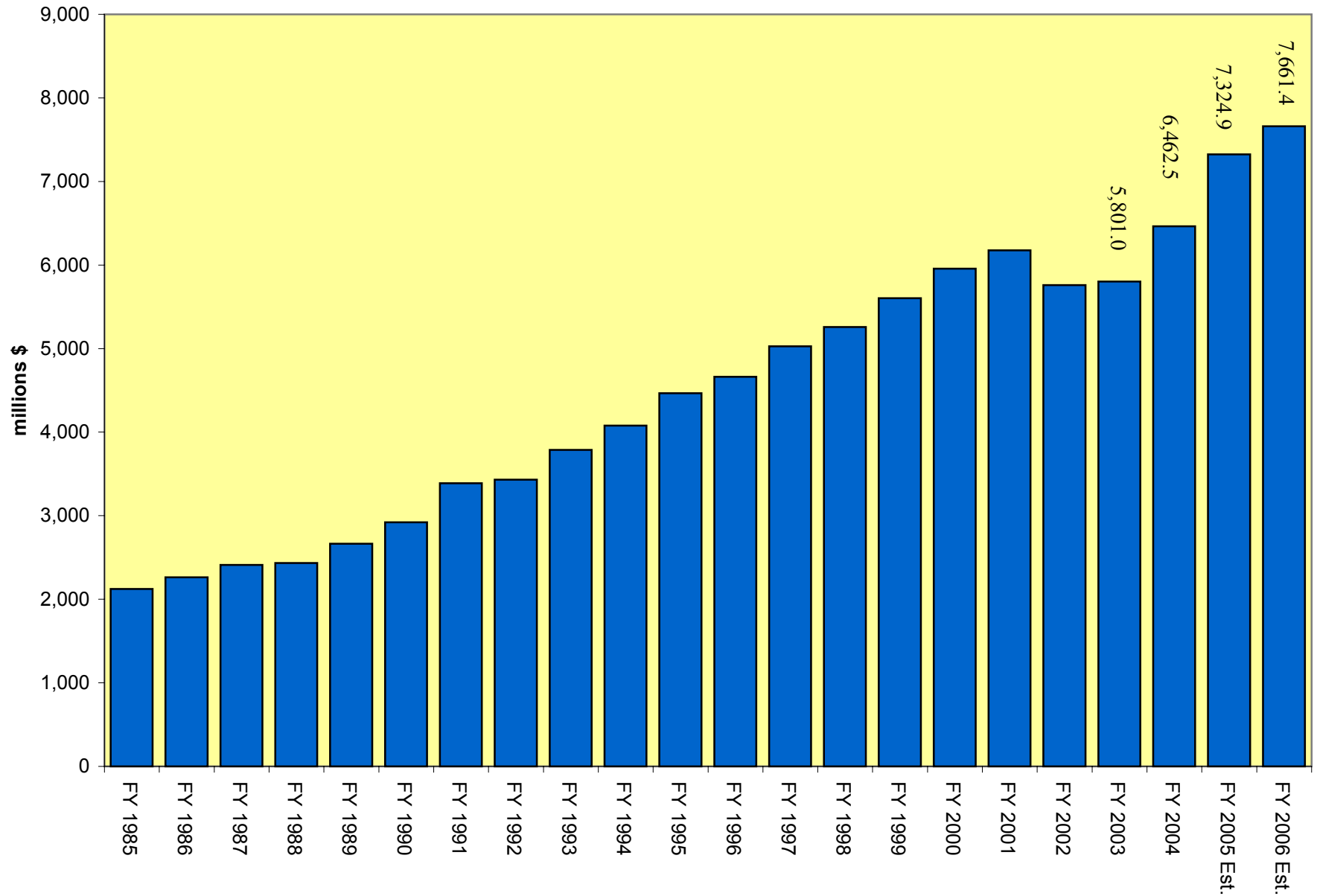
+Budget Basis FY05 includes \$76 million withholding fix, \$44.1 million fund transfers, and \$118 million VLT transfer. Current FY05 lowers fund transfers by \$6.4 million to reflect reduced estimated revenues from judicial collections and shifts \$76 million for the withholding fix to Individual Income Tax.

*Without the \$76 million withholding fix in Individual Income Tax, the IIT forecast increases by 11.9% in FY05 and 9.8% in FY06.

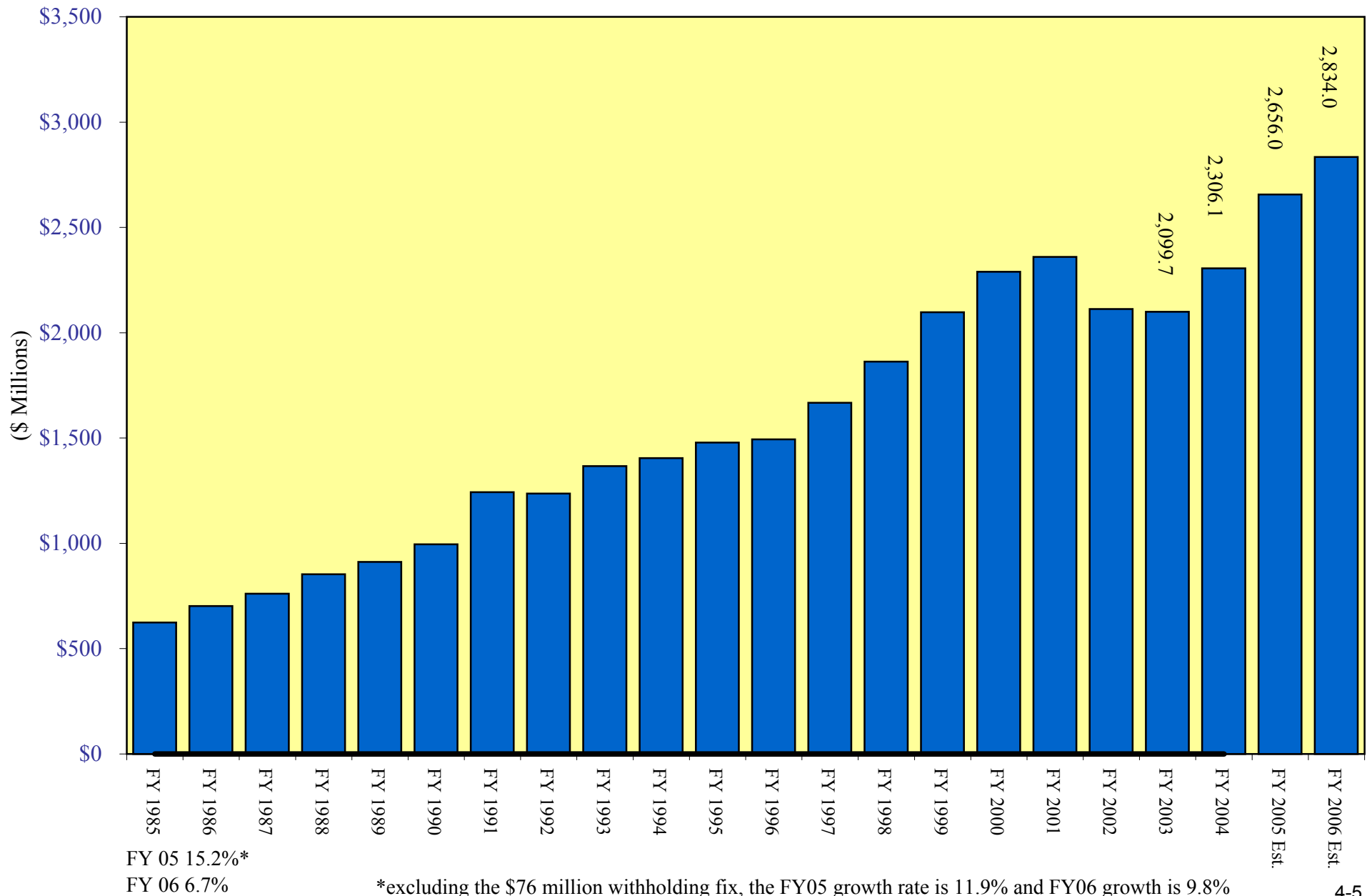
**Current Corporate FY05 estimate includes \$4.0 million of ongoing Tax Amnesty revenues

General Fund Revenues

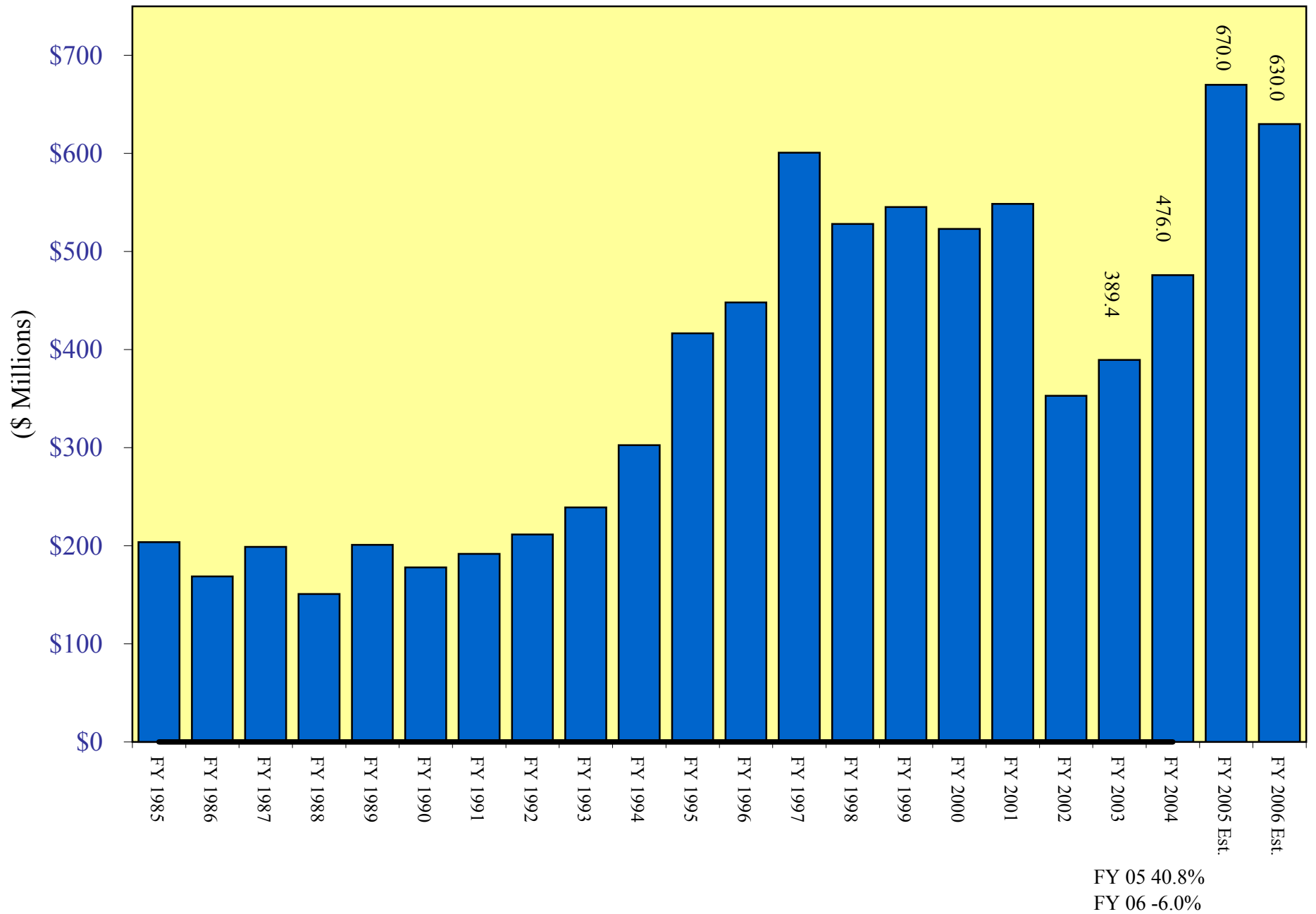
Net of URS
with January 2005 Projections
(Dollars in Millions)



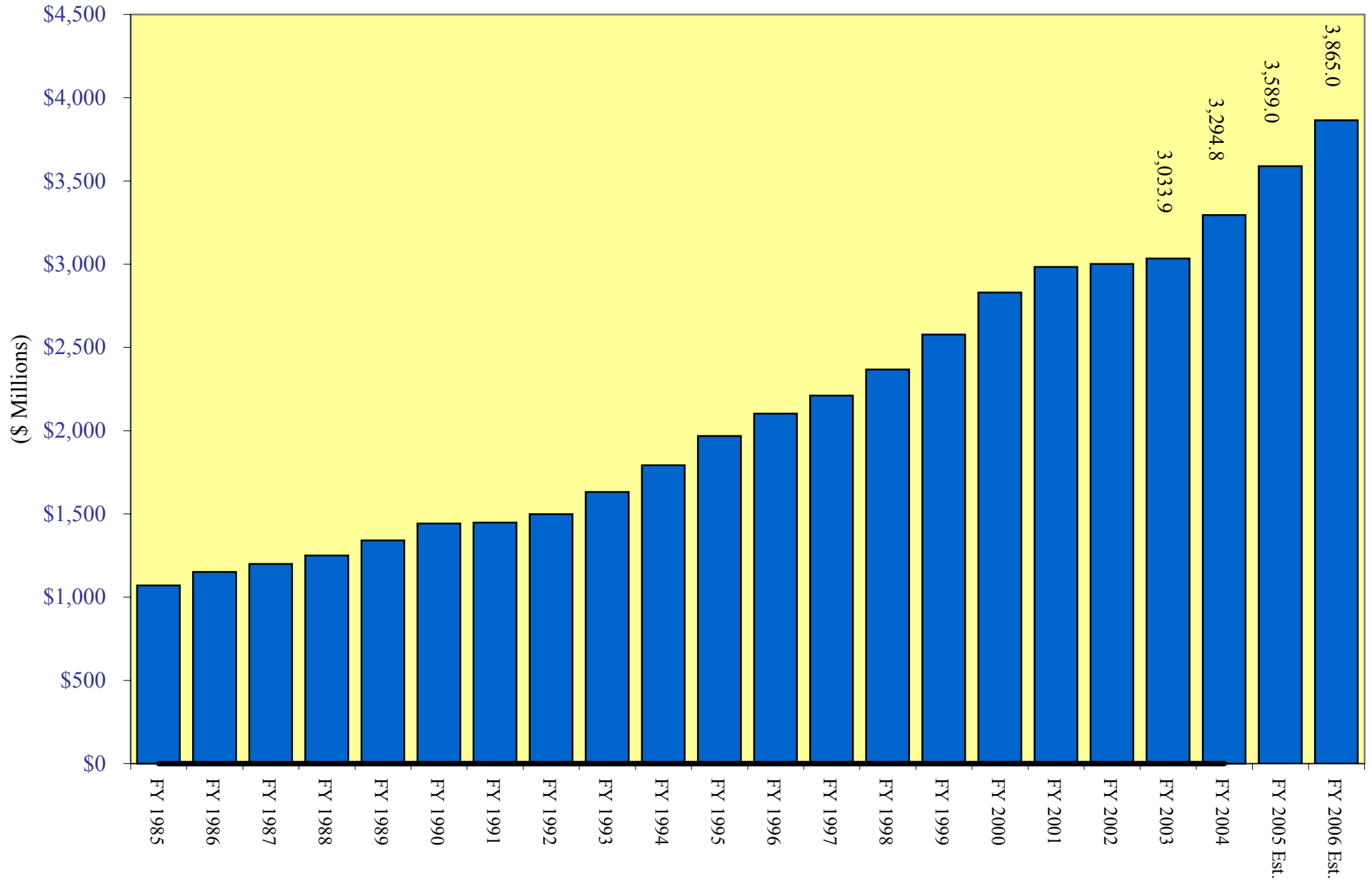
Individual Income Tax Revenues



Corporate Income Tax Revenues



Transaction Privilege and Use Tax Revenues



FY 05 8.9%
FY 06 7.7%

Comparison-JLBC and OSPB Revenue Forecasts vs Actual Revenues

1/12/2005

	JLBC Forecast	OSPB Forecast	Actual/FY05 Consensus	Difference Actual-JLBC	Difference Actual-OSPB	Pct Diff. Actual- JLBC	Pct Diff. Actual- OSPB
FY 2003*	5,521.8	5,676.3	5,801.0	279.2	124.7	5.1%	2.2%
FY 2004*	5,585.4	5,889.6	6,462.5	877.1	572.9	15.7%	9.7%
FY 2005**	6,739.9	6,757.3	6,877.1	137.2	119.8	2.0%	1.8%

*Source: JLBC Chairman's and OSPB FY04 budget recommendations; Actual-GAO Annual Financial Report, modified for OSPB format

**Source: JLBC and OSPB from FY05 budget recommendations; Actual-Agreed forecast from FY05 Appropriations Report

Section 5

Efficiency Review Results

FY 2006 Efficiency Review Initiatives

ALL FUNDS

All figures in thousands of dollars

5-1

*Efficiency
Initiative
Savings*

Statewide Initiatives

Energy Conservation	714.0
Fleet Consolidation	6,381.4
Leasing/Space Utilization.....	1,543.0
Statewide E-Procurement.....	45,000.0
Employee Benefits	25,000.0
<i>Total for Statewide Initiatives</i>	78,638.4

*Agency Request
Prior to Efficiency
Initiatives*

*Agency Request
Post Efficiency
Initiatives*

*Efficiency
Initiative
Savings*

Agency Initiatives

Arizona Department of Administration.....	749,439.2	749,414.3	24.9
Arizona Department of Agriculture	24,352.2	24,148.9	203.3
Automobile Theft Authority.....	4,582.1	4,550.1	32.0
Board of Behavioral Health Examiners	1,374.3	1,373.3	1.0
Department of Commerce.....	38,013.6	37,963.5	50.1
Department of Corrections.....	910,297.9	900,453.0	9,844.9
Department of Economic Security	3,199,924.3	3,181,640.6	18,283.7
Department of Emergency Services and Military Affairs.....	77,549.1	77,541.1	8.0
Governor's Office for Equal Opportunity	295.0	288.9	6.1
Arizona Game & Fish Department.....	71,569.0	70,387.7	1,181.3
Department of Gaming.....	69,814.0	69,742.2	71.8
Arizona Health Care Cost Containment System	6,946,457.5	6,868,171.8	78,285.7
Department of Health Services	1,620,374.3	1,613,972.1	6,402.2
Arizona Department of Housing.....	92,656.0	92,548.7	107.3
Department of Insurance	26,355.4	26,328.0	27.4
Department of Juvenile Corrections	84,590.8	84,228.7	362.1
State Land Department	35,259.5	35,222.5	37.0
Department of Liquor Licenses and Control.....	3,590.3	3,576.5	13.8
Arizona State Lottery Commission	451,568.1	451,561.1	7.0
Department of Public Safety.....	228,548.6	228,300.2	248.4
Arizona Department of Racing	4,967.2	4,841.1	126.1
Department of Real Estate	3,599.8	3,599.3	0.5
Registrar of Contractors	15,274.5	15,194.2	80.3
Residential Utility Consumer Office.....	1,178.8	1,168.2	10.6
Department of Revenue.....	68,346.3	67,623.3	723.0
School Facilities Board.....	748,092.0	747,950.6	141.4
Office of Tourism	31,942.3	31,503.2	439.1
Department of Transportation	2,631,156.7	2,629,892.3	1,264.4
Department of Veterans' Services.....	15,150.2	15,143.0	7.2
Department of Water Resources	36,457.0	36,456.5	0.5
Department of Weights and Measures.....	2,874.0	2,808.1	65.9
<i>Total for Agency Initiatives</i>	18,195,650.0	18,077,593.0	118,057.0
<i>Total for FY 2006 - All Initiatives for All Agencies and Statewide</i>			196,695.4

Efficiency Review Initiatives - Five-Year Summary

ALL FUNDS

5-2

All figures in thousands of dollars

	<i>2004 Actual</i>	<i>2005 Est.</i>	<i>2006 Est.</i>	<i>2007 Est.</i>	<i>2008 Est.</i>	<i>Total</i>
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Statewide Initiatives

Energy Conservation.....	224.2	365.0	714.0	714.0	714.0	2,731.2
Fleet Consolidation.....	0.0	0.0	6,381.4	4,324.6	4,324.6	15,030.6
Leasing/Space Utilization.....	0.0	1,543.0	1,543.0	1,743.0	1,743.0	6,572.0
Statewide E-Procurement.....	0.0	1,200.0	45,000.0	45,000.0	45,000.0	136,200.0
Employee Benefits	0.0	0.0	25,000.0	48,000.0	59,000.0	132,000.0
Total for Statewide Initiatives	224.2	3,108.0	78,638.4	99,781.6	110,781.6	292,533.8
Total for Agency-Specific Initiatives	34,553.8	78,175.5	118,057.0	143,282.3	174,360.6	548,429.2
Total for All Initiatives	34,778.0	81,283.5	196,695.4	243,063.9	285,142.2	840,963.0

EXAMPLES OF EFFICIENCY REVIEW SAVINGS

1. Value in Procurement. By consolidating the purchasing of materials used by all state agencies, the state's purchasing power can be brought to bear, resulting in lower prices. Just recently, a contract was completed that requires all state agencies to purchase office supplies from a common supplier.

FY 2005 Estimated Savings - \$ 1-2 million

This project will be expanded into other areas such as Information Technology procurement. We are anticipating FY 2006 savings of \$ 45 million.

2. Self Insurance. Moving to a self-funded Employee Health Insurance Program is expected to save the State \$ 25 million in FY 2006.
3. Office of Tourism. By making better use of electronic communications and the Internet, the Office of Tourism expects to save in mailing and printing costs when tourists seek information about the State. Also, staffing in the Call Center can be redeployed to other functions.

The Office of Tourism expects FY 2006 savings of \$ 400,000 - \$ 500,000 in FY 2006.

4. Department of Economic Security Use of Consultants. DES is requiring all new contracts and contract amendments to be reviewed by the Chief Procurement Officer for a determination as to whether a consultant is actually required. Further, all contracts will include a "transfer of knowledge" requirement such that DES personnel will in most cases be able to undertake these projects in the future without consultants.

FY 2005 Estimated Savings - \$ 2.7 million

DES expects savings of \$ 2.7 million in FY 2006 from using this approach.

5. Department of Juvenile Corrections. DJC is now ensuring that when a young person is hospitalized, it draws down Title XIX funds to the extent possible.

FY 2005 Estimated Savings - \$ 250,000

DJC expects FY 2006 savings of \$ 362,100 due to this and other efficiencies.

6. Arizona Health Care Cost Containment System. AHCCCS is attempting to finalize a contract that will allow its members to receive favorable pricing on a blood clotting drug for those with bleeding disorders. A conservative estimate of the savings is 10%.

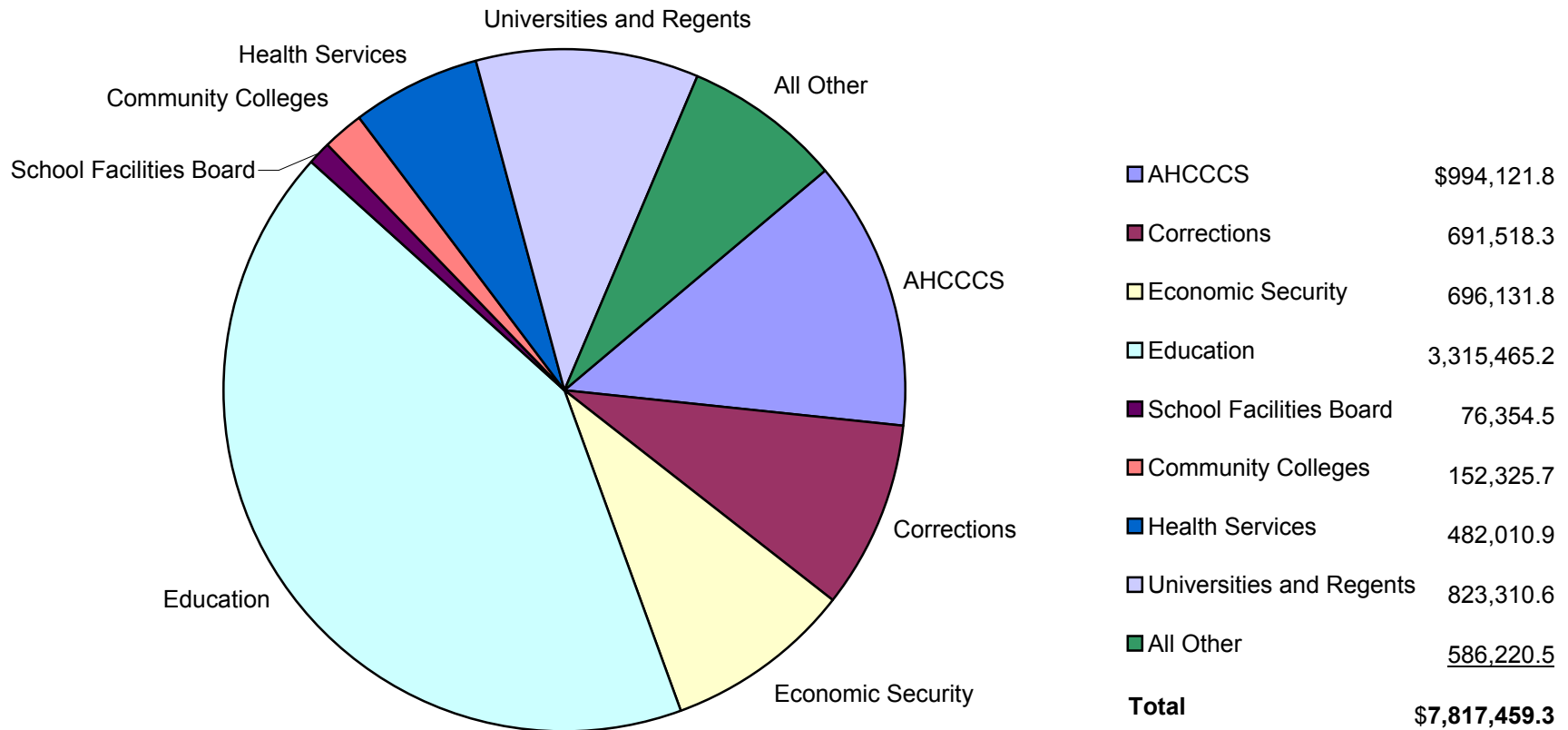
FY 2005 Estimated Savings - \$ 1.5 million

AHCCCS expects FY 2006 savings of \$ 1.7 million.

Section 6

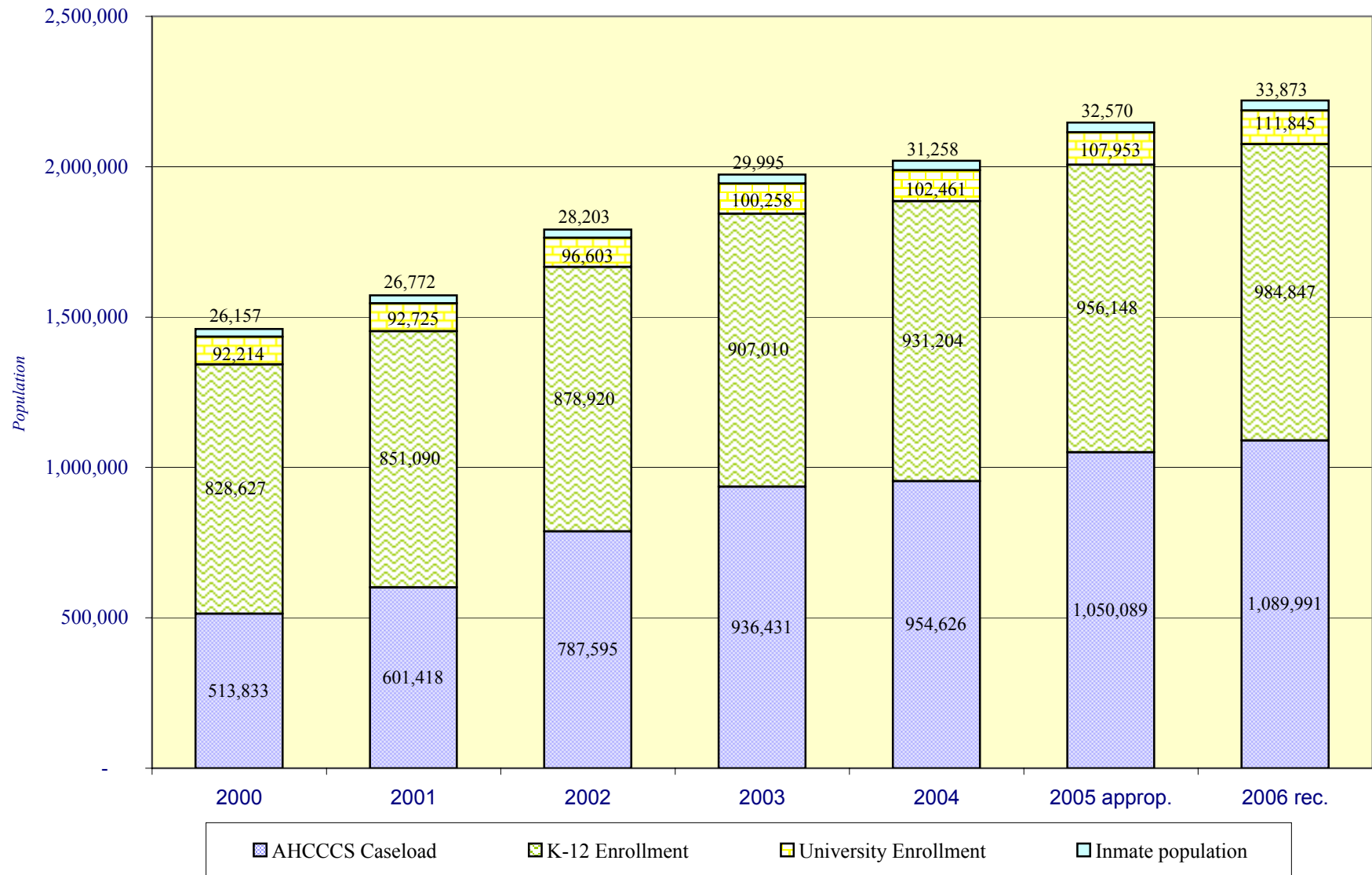
Expenditure Increase Description

FY 2006 General Fund Executive Budget Recommendation

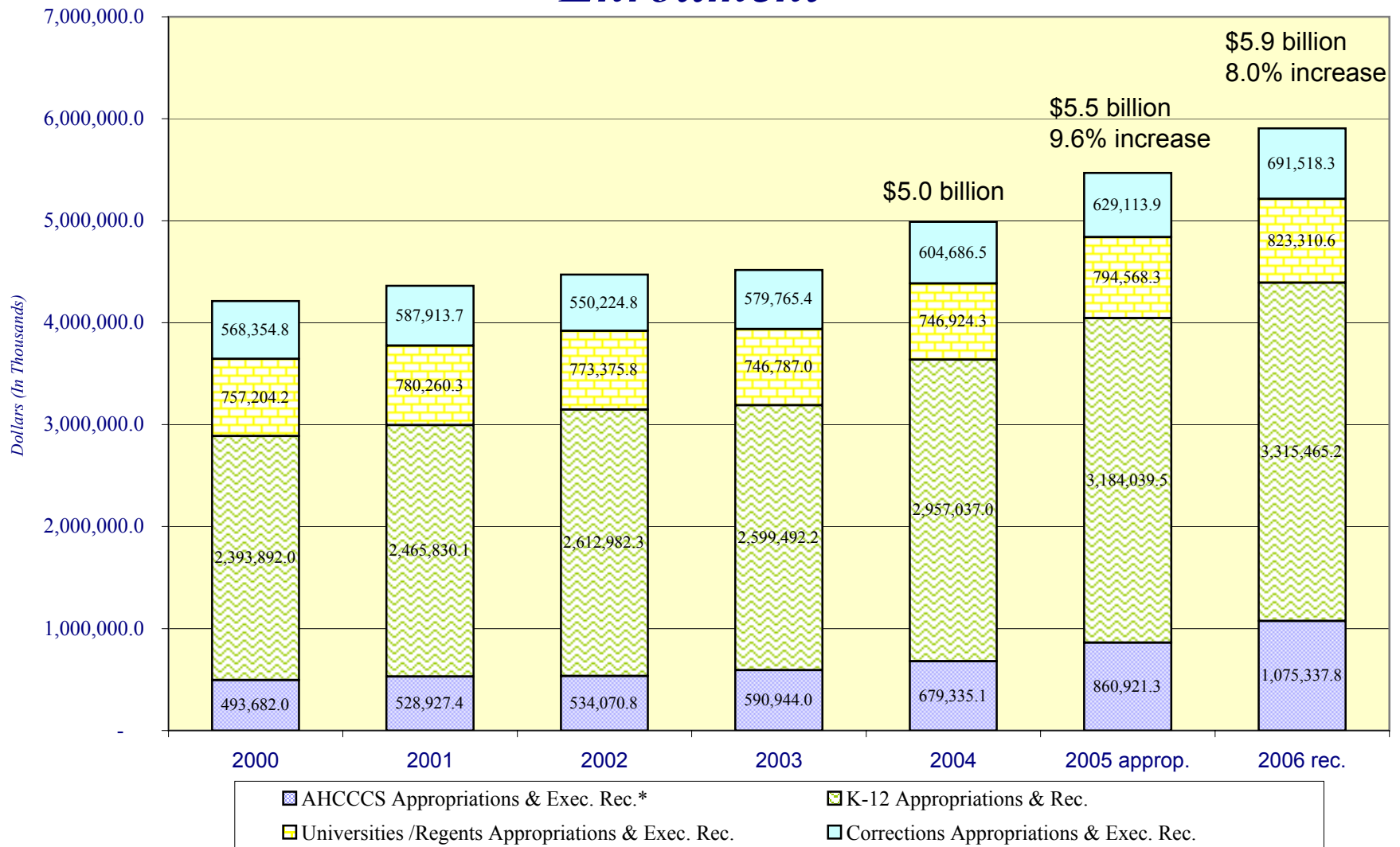


These figures do not include estimated increases to health insurance costs, employer related expenses or employee retirement adjustment.

Caseload & Enrollment Populations



General Fund Appropriations for Caseload & Enrollment



*FY2006 AHCCCS total excludes technical transfers to the DES and DHS budgets totaling \$82.1 million to allow for year-to-year comparisons. The actual Executive recommendation for AHCCCS' budget is \$994,121,800.

FY 2006 Executive Recommendation: Expenditure Growth Breakdown

<i>Agency</i>	<i>FY 2005 Appropriation</i>	<i>Standard Adjustments</i>	<i>FY 2005 Appropriation Net of Standard Adjustments</i>	<i>Population, Enrollment, or Caseload Requirements</i>	<i>Statutory, Court, Other Mandated Obligations</i>	<i>Good Business</i>	<i>Employee Retirement Adjustment</i>	<i>Executive Initiatives</i>	<i>FY 2006 Executive Recommendation</i>
Dept. of Education	3,184,039,500	(18,307,200)	3,165,732,300	125,026,100	472,400	334,400	-	23,900,000	3,315,465,200
AHCCCS	860,921,300	(113,123,200)	747,798,100	242,353,900	-	-	-	3,969,800	994,121,800
Dept. of Corrections	629,113,900	(11,795,600)	617,318,300	54,108,700	-	-	-	20,091,300	691,518,300
Dept. of Economic Security	606,123,800	38,768,200	644,892,000	24,323,200	-	259,500	-	26,657,100	696,131,800
Dept. of Health Services	367,491,900	47,348,900	414,840,800	65,403,800	-	444,800	-	1,321,500	482,010,900
Arizona State Univ.-Main Campus	282,510,500	(298,700)	282,211,800	10,767,000	-	-	-	1,500,000	294,478,800
Univ. of Arizona-Main Campus	278,843,000	1,116,100	279,959,100	1,133,000	-	-	-	6,500,000	287,592,100
School Facilities Board	218,616,100	(170,007,000)	48,609,100	-	27,745,400	-	-	-	76,354,500
Community Colleges	143,940,000	(325,000)	143,615,000	8,710,700	-	-	-	-	152,325,700
Northern Arizona Univ.	117,440,500	976,600	118,417,100	618,000	3,000,000	-	-	500,000	122,535,100
Dept. of Juvenile Corrections	69,092,000	(5,218,700)	63,873,300	(3,021,300)	6,674,800	-	-	976,000	68,502,800
Dept. of Revenue	62,846,500	837,000	63,683,500	-	-	140,300	-	(11,398,300)	52,425,500
Dept. of Administration	24,134,800	(33,800)	24,101,000	-	-	268,100	-	555,500	24,924,600
Attorney General - Dept. of Law	23,448,500	(32,000)	23,416,500	-	-	540,700	-	1,346,400	25,303,600
State Land Department	17,600,100	(78,200)	17,521,900	-	-	-	-	7,740,900	25,262,800
Dept. of Water Resources	14,198,900	154,700	14,353,600	-	-	-	-	3,965,300	18,318,900
Board of Regents	7,611,000	14,100	7,625,100	-	-	615,900	-	2,251,200	10,492,200
Arts	3,818,200	19,900	3,838,100	-	-	-	-	500,000	4,338,100
All Other Agencies	471,226,300	20,285,400	491,511,700	0	1,876,800	1,997,000	-	(0)	495,385,500
All Agency Impact	-	18,045,600	18,045,600	-	-	-	24,155,900	-	42,201,500
	7,383,016,800	(191,652,900)	7,191,363,900	529,423,100	39,769,400	4,600,700	24,155,900	90,376,700	7,879,689,700
Percent of growth over base				7.4%	0.6%	0.1%	0.3%	1.3%	9.6%

Table 2-3 General Fund Operating Budgets Summary

	FY 2005 Approp	FY 2005 Supp	FY 2005 Exec Rec	FY 2006 Issues	FY 2006 Exec Rec	FY 2007 Issues	FY 2007 Exec Rec
Arizona Department of Administration	24,134.8	0.0	24,134.8	789.8	24,924.6	0.0	0.0
Office of Administrative Hearings	1,104.2	0.0	1,104.2	1.9	1,106.1	1.9	1,106.1
Arizona Department of Agriculture	10,337.6	0.0	10,337.6	176.5	10,514.1	164.2	10,501.8
Arizona State University - East Campus	13,040.2	0.0	13,040.2	0.0	13,040.2	0.0	0.0
Arizona State University - Main Campus	282,510.5	0.0	282,510.5	11,968.3	294,478.8	0.0	0.0
Arizona State University - West Campus	40,323.1	0.0	40,323.1	0.0	40,323.1	0.0	0.0
Arizona Commission on the Arts	3,818.2	0.0	3,818.2	519.9	4,338.1	500.9	4,319.1
Attorney General - Department of Law	23,448.5	0.0	23,448.5	1,855.1	25,303.6	2,871.6	26,320.1
Auditor General	11,747.5	0.0	11,747.5	0.0	11,747.5	0.0	11,747.5
State Banking Department	2,891.7	0.0	2,891.7	276.1	3,167.8	321.4	3,213.1
Department of Building and Fire Safety	3,278.4	0.0	3,278.4	15.9	3,294.3	22.2	3,300.6
State Board for Charter Schools	702.7	0.0	702.7	325.2	1,027.9	11.4	714.1
Department of Commerce	8,864.5	0.0	8,864.5	-292.9	8,571.6	-292.9	8,571.6
Arizona Community Colleges	143,940.0	0.0	143,940.0	8,385.7	152,325.7	0.0	0.0
Corporation Commission	4,953.4	0.0	4,953.4	18.2	4,971.6	19.2	4,972.6
Department of Corrections	629,113.9	18,315.3	647,429.2	62,404.4	691,518.3	0.0	0.0
Arizona Criminal Justice Commission	1,302.0	0.0	1,302.0	0.0	1,302.0	0.0	1,302.0
Arizona State Schools for the Deaf and the Blind	14,636.2	400.4	15,036.6	630.0	15,266.2	684.2	15,320.4
Department of Economic Security	606,123.8	0.0	606,123.8	90,008.0	696,131.8	0.0	0.0
Department of Education	3,184,039.5	0.0	3,184,039.5	131,425.7	3,315,465.2	0.0	0.0
Department of Emergency Services and Military Affairs	12,015.0	0.0	12,015.0	590.5	12,605.5	590.5	12,605.5
Department of Environmental Quality	23,142.1	0.0	23,142.1	168.8	23,310.9	168.8	23,310.9
Governor's Office for Equal Opportunity	220.9	0.0	220.9	0.5	221.4	0.5	221.4
State Board of Equalization	556.7	0.0	556.7	61.2	617.9	428.4	985.1
Board of Executive Clemency	913.3	0.0	913.3	112.4	1,025.7	130.3	1,043.6
Arizona Geological Survey	796.7	0.0	796.7	0.0	796.7	0.0	796.7
Office of the Governor	6,127.7	0.0	6,127.7	60.4	6,188.1	60.4	6,188.1
Arizona Health Care Cost Containment System	860,921.3	51,696.9	912,618.2	133,200.5	994,121.8	0.0	0.0
Department of Health Services - Primary	367,491.9	23,015.4	390,507.3	114,519.0	482,010.9	0.0	0.0
Arizona Historical Society	3,462.1	0.0	3,462.1	43.9	3,506.0	43.9	3,506.0
House of Representatives	11,955.5	0.0	11,955.5	0.0	11,955.5	0.0	11,955.5
Arizona Commission of Indian Affairs	205.1	0.0	205.1	0.1	205.2	0.1	205.2
Department of Insurance	6,393.6	0.0	6,393.6	39.8	6,433.4	40.1	6,433.7
Joint Legislative Budget Committee	2,201.1	0.0	2,201.1	0.0	2,201.1	0.0	2,201.1
Judiciary	114,302.6	0.0	114,302.6	0.0	114,302.6	0.0	0.0
Department of Juvenile Corrections	69,092.0	-500.0	68,592.0	-589.2	68,502.8	0.0	0.0
State Land Department	17,600.1	0.0	17,600.1	7,662.7	25,262.8	5,735.1	23,335.2
Law Enforcement Merit System Council	58.3	0.0	58.3	10.9	69.2	8.2	66.5
Legislative Council	4,628.4	0.0	4,628.4	0.0	4,628.4	0.0	4,628.4
Arizona State Library, Archives & Public Records	6,724.1	0.0	6,724.1	0.0	6,724.1	0.0	6,724.1
Department of Liquor Licenses and Control	2,813.7	0.0	2,813.7	13.6	2,827.3	13.6	2,827.3
State Mine Inspector	1,116.2	0.0	1,116.2	20.3	1,136.5	20.3	1,136.5
Department of Mines and Mineral Resources	658.4	0.0	658.4	122.0	780.4	122.0	780.4
Arizona Navigable Stream Adjudication Commission	160.7	0.0	160.7	0.0	160.7	-160.7	0.0
Northern Arizona University	117,440.5	0.0	117,440.5	5,094.6	122,535.1	0.0	0.0
State Board of Nursing	136.4	0.0	136.4	25.0	161.4	25.0	161.4
OSHA Review Board	4.8	0.0	4.8	0.0	4.8	0.0	4.8
State Parks Board	22,380.5	0.0	22,380.5	9.0	22,389.5	9.0	22,389.5
Personnel Board	338.3	0.0	338.3	0.0	338.3	0.0	338.3

	FY 2005 Approp	FY 2005 Supp	FY 2005 Exec Rec	FY 2006 Issues	FY 2006 Exec Rec	FY 2007 Issues	FY 2007 Exec Rec
Arizona Pioneers' Home	3,197.8	-1,200.0	1,997.8	-3,197.8	0.0	-3,197.8	0.0
Commission for Postsecondary Education	1,391.3	0.0	1,391.3	0.0	1,391.3	0.0	1,391.3
Prescott Historical Society of Arizona	639.1	0.0	639.1	7.7	646.8	7.7	646.8
Department of Public Safety	31,839.0	0.0	31,839.0	-3,665.2	28,173.8	-758.4	31,080.6
Arizona Department of Racing	2,504.8	0.0	2,504.8	26.6	2,531.4	29.2	2,534.0
Radiation Regulatory Agency	1,557.2	0.0	1,557.2	59.7	1,616.9	48.9	1,606.1
Arizona Rangers' Pension	12.6	0.0	12.6	0.2	12.8	0.4	13.0
Department of Real Estate	3,208.4	0.0	3,208.4	274.6	3,483.0	274.6	3,483.0
Arizona Board of Regents	7,611.0	0.0	7,611.0	2,881.2	10,492.2	0.0	0.0
Department of Revenue	62,846.5	0.0	62,846.5	977.3	63,823.8	969.4	63,815.9
School Facilities Board	218,616.1	0.0	218,616.1	-142,261.6	76,354.5	0.0	0.0
Department of State - Secretary of State	7,149.9	0.0	7,149.9	-4,122.3	3,027.6	-722.3	6,427.6
Senate	6,841.5	0.0	6,841.5	0.0	6,841.5	0.0	6,841.5
Governor's Office of Strategic Planning and Budgeting	1,721.4	0.0	1,721.4	204.4	1,925.8	204.4	1,925.8
State Board of Tax Appeals	278.7	0.0	278.7	0.1	278.8	0.9	279.6
Arizona Office of Tourism	11,609.2	0.0	11,609.2	1,343.1	12,952.3	2,213.5	13,822.7
Department of Transportation	71.7	0.0	71.7	0.0	71.7	0.0	0.0
State Treasurer	5,411.2	0.0	5,411.2	-148.9	5,262.3	-298.9	5,112.3
Commission on Uniform State Laws	52.3	0.0	52.3	0.3	52.6	0.5	52.8
University of Arizona - Health Sciences Center	54,849.1	0.0	54,849.1	0.0	54,849.1	0.0	0.0
University of Arizona - Main Campus	278,843.0	0.0	278,843.0	8,749.1	287,592.1	0.0	0.0
Department of Veterans' Services	2,261.7	0.0	2,261.7	3.4	2,265.1	4.0	2,265.7
Department of Water Resources	14,198.9	0.0	14,198.9	4,120.0	18,318.9	4,120.0	18,318.9
Department of Weights and Measures	1,466.9	0.0	1,466.9	185.5	1,652.4	99.3	1,566.2
General Fund Operating Total	7,382,348.0	91,728.0	7,474,076.0	435,111.3	7,817,459.3	14,535.0	384,418.0

BUDGET IN A FLASH

Executive Initiatives in FY 2006 (in millions)

Water Management Research Initiatives in Partnership with Universities	1.5	Full Funding of Child Care for Low-Income Working People	21.0
Three Additional Inmate Fire Crews	0.8	Child Care Licensure	0.5
Land Resource Management, Education, and Revenue Enhancement	7.2	Licensing Staff - New Surveyors	0.4
Restoration of Full Funding for Water Department	4.1	Increased Funding for Child Protective Services Staffing	5.7
DOC Employees Pay Plan	14.5	Outreach for KidsCare Program	4.0
Van Pools for Correctional Officers in Remote Locations	1.5	Health Care Funding for Parents of KidsCare Children	1.4
Implementation of Phase 1 of Blue Ribbon Panel Recommendations	3.8	Rural Hospital Support	2.5
Attorney General Pay Parity Plan	1.3	Folic Acid Distribution	0.8
Additional Funds for Youth Correctional Officers	1.0	Phoenix Medical School	6.0
Procurement Activities	0.1	Voluntary Full-Day Kindergarten 2nd Year Funding	16.9
Initiation of Self-Support for Health Care Group	(4.0)	AIMS Intervention "AIMing to Pass the Test"	5.0
Pay Parity for General Accounting Office Staff	0.5	Additional Funding for the Early Childhood Block Grant Program	2.0
Net Savings Generated through Enhanced Revenue Enforcement Activities	(11.4)	Board of Regents - Doubling of University Scholarships	2.3
		Funding for the Arts	0.5

Operating Budgets (in millions)

	FY05 App.	FY06 Rec.	FY06-FY05
Agriculture	10.3	10.5	0.2
Arizona State University - Main Campus	282.5	294.5	12.0
Arizona State University - West Campus	40.3	40.3	0.0
Community Colleges	143.9	152.3	8.4
Corrections	629.1	691.5	62.4
Economic Security	606.1	696.1	90.0
Education	3,184.0	3,315.5	131.4
Emergency Services and Military Affairs	12.0	12.6	0.6
Health Care Cost Containment System	860.9	994.1	133.2
Health Services	367.5	482.0	114.5
Juvenile Corrections	69.1	68.5	(0.6)
Land Department	17.6	25.3	7.7
Pioneers' Home	3.2	0.0	(3.2)
Revenue	62.8	63.8	1.0
School Facilities Board	218.6	76.4	(142.3)
Treasurer	5.4	5.3	(0.1)
University of Arizona - Health Sciences Center	54.8	54.8	0.0
University of Arizona - Main Campus	278.8	287.6	8.7
Veterans' Services	2.3	2.3	1.7
All Others	533.5	544.1	11.2
TOTAL	\$7,383.0	\$7,817.5	\$435.1

FY 2005 Supplementals (in thousands)

DCA - Second Phase of Kingman Prison	4,415.8
DCA - Prison Construction & Operations Fund Shortfall	4,050.0
DCA - Correctional Officer Pay	2,049.5
DCA - Compensatory Time Pay	7,800.0
DJA - Decreased Juvenile Population	(500.0)
AHCCCS - Proposition 204 Services	12,390.6
AHCCCS - Acute Care Medicare Premiums	1,669.6
AHCCCS - Acute Care Reinsurance	6,895.1
AHCCCS - Acute Care Capitation	30,741.6
DHS - Behavioral Health Services - Title XIX	23,015.4
Pioneer's Home - Fund Transfer	(1,200.0)
Deaf & Blind - Telecommunications Tax Fund Reduction	400.4
TOTAL	\$91,728.0

Sources and Uses (in thousands)

	FY04 Act.	FY05 Est.	FY06 Rec.
Balance Forward	192,185.0	360,388.9	143,819.4
Adjusted Revenues	6,462,534.8	7,324,945.2	7,661,424.7
Enacted Fund Transfers	54,500.0	35,234.5	0.0
Qwest Settlement	9,047.0	0.0	0.0
Tax Amnesty Revenues	65,253.1	0.0	0.0
Federal Cash Assistance	87,265.9	0.0	0.0
Judicial Collections	5,389.3	2,106.7	0.0
VLT Transfer	0.0	118,000.0	0.0
Proposed Fund Transfers	0.0	0.0	25,000.0
DOR Revenue Generating Program	0.0	0.0	11,398.3
Lottery Revenues Distribution Change	0.0	0.0	3,000.0

SOURCES OF FUNDS TOTAL 6,876,175.1 7,840,675.3 7,844,642.4

Operating Budgets	6,537,900.9	7,208,016.8	7,795,559.3
Operating Budget Supplementals	0.0	91,728.0	0.0
Voluntary Full-Day Kindergarten	0.0	0.0	16,900.0
Ladewig Settlement	0.0	134,280.4	0.0
Deficiency Corrections	0.0	100,000.0	0.0
School Building Maintenance & Renovation	0.0	70,000.0	0.0
Military Base Preservation	0.0	5,000.0	5,000.0
Employee Related Expense Increases	0.0	0.0	30,758.5
Employee Health Insurance	0.0	0.0	18,045.6
Transfer to Budget Stabilization Fund	0.0	165,000.0	0.0
Employee Retirement Adjustment	0.0	0.0	24,155.9
Federal Revenue Maximization	0.0	(16,100.0)	(25,000.0)

Total Operating Budgets 6,537,900.9 7,757,925.2 7,865,419.3

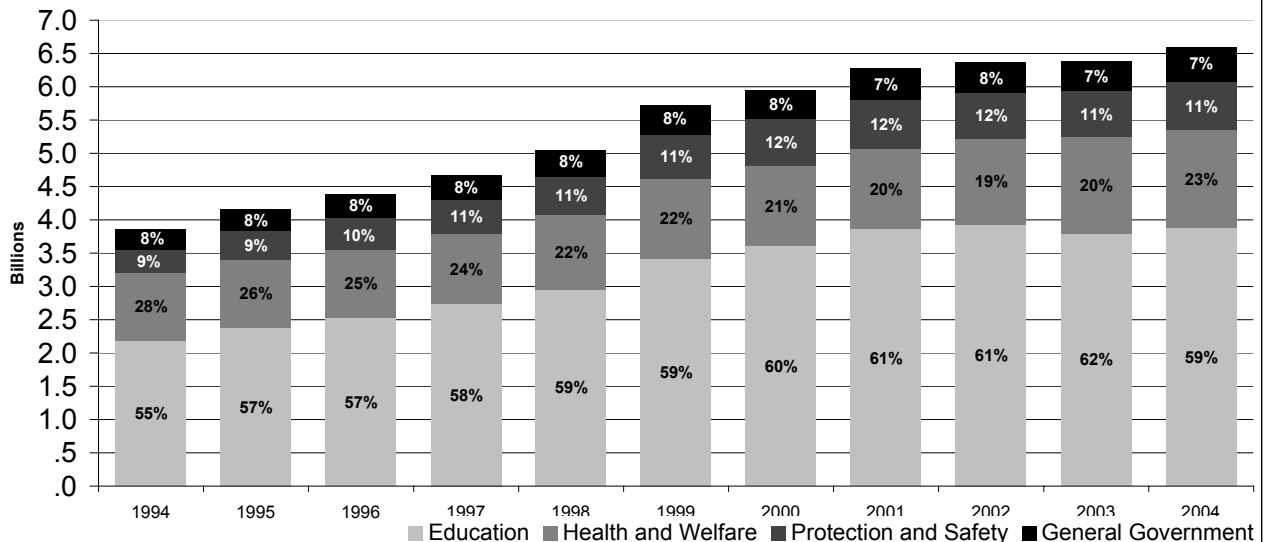
Administrative Adjustments	38,692.7	23,000.0	23,000.0
Reversions	(60,807.4)	(84,069.3)	(51,169.3)

Uses of Funds 6,515,786.2 7,696,855.9 7,837,250.0

Ending Balance	360,388.9	143,819.4	7,392.4
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USES OF FUNDS TOTAL 6,876,175.1 7,840,675.3 7,844,642.4

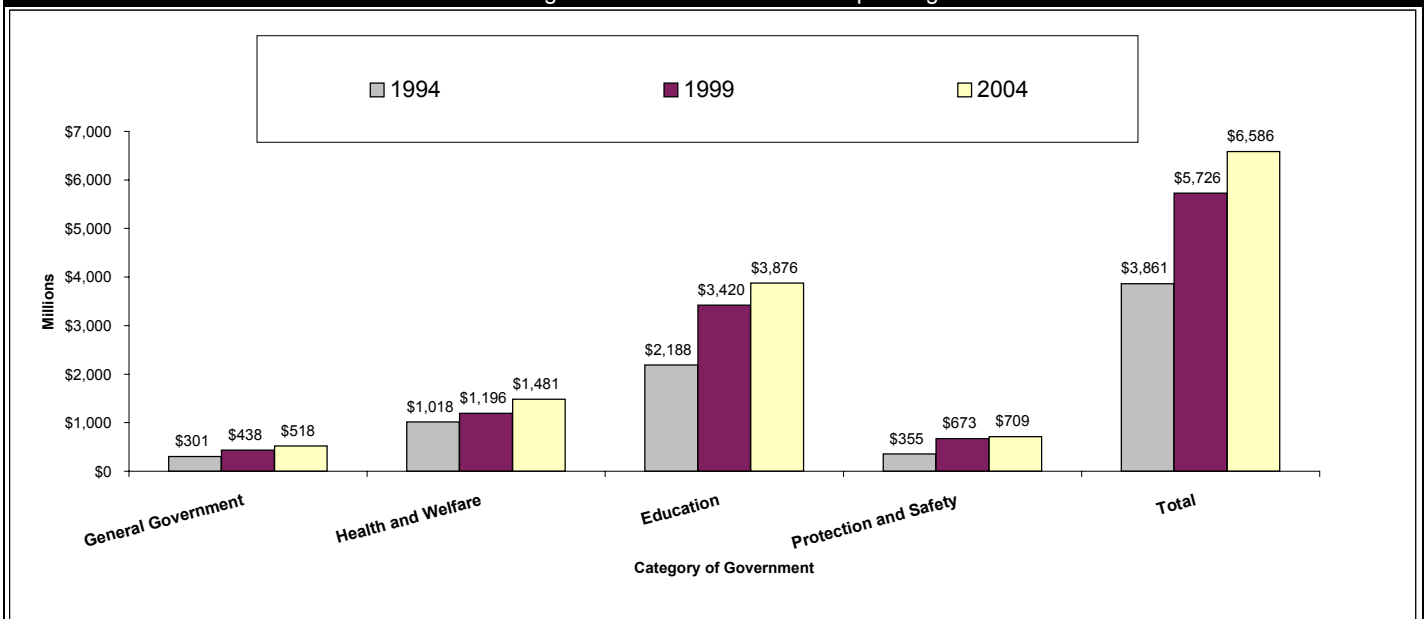
General Fund Spending by Category of Government: % of Total State Spending



MAJOR CHANGES IN FY 2006 GENERAL FUND BUDGETS *(in millions)*

Land Department		Department of Economic Security	
Preparing Lands for Lease or Sale	2.5	Children's Services	10.8
Increase Revenue Generating Capabilities	0.6	Adoption Services	5.6
Increase Mineral Revenue	0.2	Permanent Guardianship	1.2
Retention of Water Rights	1.9	Child Protective Services Staffing	5.7
Dam Safety	0.8	Child Care	21.0
Fire Management	0.3	Long-Term Care - Developmentally Disabled	18.7
Three Additional Inmate Fire Crews	0.4	Reverse One-Time Funding Shift in the Division of Dev. Dis.	3.0
Streambed Research	1.0	Eligibility Worker Transfer from AHCCCS	35.3
Other Issues	(0.0)	TANF Cash assistance Caseload Deadline	(12.0)
TOTAL	\$7.7	Other Issues	0.7
Water Resources		TOTAL	\$90.0
Water Conservation and Drought Management	1.5	Department of Juvenile Corrections	
Cost Recovery & Fund Alignment Measure	(0.9)	Decreased Juvenile Population	(3.0)
Technical Staff for Hydrology & Groundwater Programs	0.9	YCO Salary Increase	1.0
Restore General Fund Appropriation	1.8	CRIPA	6.7
Additional Funding for Rural Water Studies	0.7	Other Issues	(5.2)
Other Issues	0.2	TOTAL	(\$0.6)
TOTAL	\$4.1	Department of Health Services	
Department of Corrections		Child Care Licensure	0.5
Annualize Beds Originally Funded in FY05	53.3	Licensing Staff - New Surveyors	0.4
Marginal Cost of Population Growth	0.8	Foster Care Licensure - Transfer to DES	(0.1)
Van Pool	1.5	Folic Acid Distribution	0.8
Blue Ribbon Panel Recommendations	3.8	Children's Rehabilitative Services - Title XIX	1.8
Three Additional Inmate Fire Crews	0.4	Children's Rehabilitative Services - State Only	0.9
Correctional Officer Pay	14.5	Breast & Cervical Cancer - Growth Demand	0.2
Other Issues	(11.8)	Behavioral Health Services - Title XIX	62.5
TOTAL	\$62.4	Shift Tobacco Settlement Monies to AHCCCS	46.8
AHCCCS		Other Issues	0.7
DES Admin - Base Modification	(35.3)	TOTAL	\$114.5
Acute Care Disproportionate Share	(6.1)	Department of Education	
Acute Care Medicare Premiums	6.9	Basic State Aid	119.5
Acute Care Reinsurance	8.3	Additional State Aid	2.0
Acute Care Fee for Service	13.1	AIMS Blended Test Surplus	(2.7)
Acute Care Capitation	100.3	Special Education Fund	3.5
Arizona Long Term Care System	32.3	Early Childhood Block Grant	2.0
Health Care Group Services	(4.0)	Full Day Kindergarten - 2 Year Implementation	16.9
CHIP Premiums/Outreach	4.0	Full Day Kindergarten Administration	0.2
DHS Tobacco/GF Switch	(46.8)	AIMS Intervention "AIMing to Pass the Test"	5.0
Kids Care Parents Program	1.5	SAIS Implementation and Support	0.3
SAVE Fund	2.5	HB2010 (Flores v. State) Expired Appropriations	(15.6)
Other Issues	56.5	Other Issues	0.4
TOTAL	\$133.2	TOTAL	\$131.4

Change in FY 2006 General Fund Spending



Section 7

Financing Strategies

FINANCING STRATEGIES FY 2006

New School Construction – Recommend an additional \$ 300.7 million in lease-to-own authority for this purpose in FY 2006. Certificates of Participation would be issued, with debt service payable from the General Fund, beginning in FY 2007.	\$ 300.7 million
Ladewig Settlement – Recommend the sale-leaseback of approximately \$ 58.4 million in State buildings in order to make the FY 2006 payments under this settlement. The Department of Revenue estimates that the amount for payments, attorneys' fees, and administrative expenses will not exceed \$58.4 million in FY 2006. The first debt service payment on this amount would not be due until FY 2007.	\$ 58.4 million

Section 8

Executive Initiatives

**EXECUTIVE INITIATIVES
FY 2006**

Initiative	Amount
Strengthening Families – 1) Full funding of Child Care for low-income working people (\$ 22.6 million total funds; \$ 21.0 million General Funds plus \$ 1.5 million TANF); 2) Additional funding for domestic violence shelters (\$ 1.5 million from TANF); 3) Bringing funding for the Healthy Families Program to \$ 20 million (\$ 3.3 million from TANF; \$ 2.2 million from other non-General Fund sources); 4) Adding funding for Child Care licensing activities (\$.5 million); 5) Additional funding for Childrens' Protective Services staffing (\$ 11.6 million total funds: \$ 6.0 million TANF plus \$ 5.7 million General Funds)	\$ 27.2 million – GF \$ 41.7 million - TF
Improving Access to Health Care – 1) Funding for an Outreach Program for KidsCare (\$ 4.0 million); 2) Extension of health care funding for low-income parents of children covered under AHCCCS (\$ 1.4 million); 3) Funding to help keep rural hospitals functioning (\$ 2.5 million); 4) Maintaining monies available for Folic Acid Distribution (\$.8 million); 5) Additional funding for the University Health Sciences Center and ASU that will lead to a beginning Medical School class in Phoenix in July, 2006 (\$ 7.0 million)	\$ 15.7 million – GF \$ 15.7 million – TF
Enhancing Educational Opportunities – 1) Incremental funding for the second year of implementation of Voluntary Full-Day Kindergarten (\$ 16.9 million); 2) Continuation of support for assistance to students in passing the AIMS Test (\$ 5.0 million); 3) Additional funding for the Early Childhood Block Grant Program for pre-school programs (\$ 2 million); 4) Double the amount of funding devoted to university student scholarships (\$ 2.3 million); 5) Provide funding for the arts (\$.5 million).	\$ 26.7 million – GF \$ 26.7 million - TF
Land and Water Management: 1) Water management research initiatives at the 3 state universities (\$ 1.5 million); 2) Adding 3 more inmate fire crews in the Departments of Corrections and Land for a total of 15 (\$.8 million); 3) Additional Land Department funding for better resource management and to enhance revenues to land trust beneficiaries, including education (\$ 7.2 million); 4) Restore full funding to the Department of Water Resources (\$ 5.0 million, including .9 million fee authorization).	\$ 13.6 million – GF \$ 14.5 million - TF
Enhancing Economic Opportunity – 1) Allocating resources from the Tourism Fund to establish a Rural Tourism Development Grant Program (\$.5 million); 2) Allocating resources from the Commerce and Economic Development Fund to provide additional resources for Rural Economic Development (\$.2 million); 3) Phasing in the following tax credits beginning with the 2007 Tax Year: a Technology Tax Credit (\$ 4.0 million); an enhanced R&D University Tax Credit (\$ 2.9 million); 4) Reducing the assessment ratio on small business personal property from 25% to 1%; 5) Reducing the assessment ratio on the personal property of manufacturers from 25% to 13%.	0 – GF 0 – TF
Promoting Public Safety – 1) Providing additional monies to begin correcting the inadequate pay of Department of Corrections employees (\$ 14.5 million); 2) Providing additional funding to make it easier for Correctional Officers to work at prisons remote from their residences through expanded van pools (\$ 1.4 million); 3) Providing funds to implement Phase One of the recommendations of the Blue Ribbon Panel on Arizona's Prisons (\$ 3.8 million); 4) Funding year 2 of a five-year salary increase for DPS officers (\$ 3.0 million – HURF monies); 5) Providing funds for an Attorney General's Pay Parity Plan (\$ 1.3 million); 6) Providing additional funds for Youth Correctional Officers (\$ 1.0 million).	\$ 22.0 million – GF \$ 25.0 million – TF
Fiscal Management & Accountability – 1) Additional funding for DOA's procurement activities that will allow the State to realize savings in its own purchasing as well as to help small and disadvantaged businesses bid on state projects (\$.1 million); 2) Making Health Care Group self-supporting (\$ 4.0 million savings); 3) Generating additional funds by funding enhanced enforcement activities in the Department of Revenue (\$ 11.4 million net savings through enhanced General Fund collections); 4) Adding staff to the General Accounting Office for increased fiscal accountability (\$.5 million).	(\$ 14.8) million – GF (\$ 14.8) million – TF
TOTAL EXECUTIVE INITIATIVES	\$ 90.4 million – GF \$ 108.8 million - TF